

**LEGISLATIVE SERVICES AGENCY  
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House  
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**FISCAL IMPACT STATEMENT**

**LS 6222**

**BILL NUMBER: SB 9**

**DATE PREPARED:** Apr 11, 2001

**BILL AMENDED:** Apr 10, 2001

**SUBJECT:** Fire Protection Territory

**FISCAL ANALYST:** Bob Sigalow, Chuck Mayfield

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**FUNDS AFFECTED:**      **GENERAL**  
                                 **DEDICATED**  
                                 **FEDERAL**

**IMPACT:** Local

**Summary of Legislation:** (Amended) This bill provides that the ad valorem property tax levy limits apply to property taxes imposed by a unit that enters a fire protection territory created after July 31, 2001. It provides that for the three calendar years following the year that a unit participates in the fire protection territory the ad valorem property tax levy limits do not apply to property taxes imposed by a unit for fire protection services.

The bill requires the legislative body of each unit creating a fire protection territory to give notice of and hold a public hearing before adopting an ordinance to create the territory. It specifies the information that must be included in the notice. The bill also provides that different property tax rates may apply in the units that make up the territory, so long as a rate applies uniformly to all of a unit's taxable property within the territory.

This bill also allows an agent of a volunteer fire department to collect service charges imposed by the volunteer fire department.

**Effective Date:** (Amended) Upon Passage; July 1, 2001; August 1, 2001.

**Explanation of State Expenditures:** (Revised) If a unit increases their General Fund property tax levy as a result of the maximum levy increase as explained in Explanation of Local Revenues, the state's expense for Property Tax Replacement Credits (PTRC) and Homestead Credits would also increase. PTRC and Homestead Credits are paid from the Property Tax Replacement Fund which is annually supplemented by the state General Fund. Any additional PTRC and Homestead credit expenditures would ultimately come from the General Fund.

**Explanation of State Revenues:**

**Explanation of Local Expenditures:** (Revised) The participating units' legislative bodies would be required to hold hearings on the proposed ordinances to create the territory and to give notice of those hearings. The

notices would also have to include a list of the participating units, the hearing time and place, a location for inspection of the ordinance, a statement as to whether the proposal includes uniform or different tax rates, and a contact for more information.

A local unit may have increased administrative costs associated with holding a public hearing to discuss the proposed ordinance.

**Explanation of Local Revenues:** (Revised) *Tax Rates:* Currently, units participating in a fire protection territory have a uniform rate for all units. The bill would allow participating units to have different tax rates. The bill could allow a shift of the responsibility of funding fire protection from one local unit to another unit if the units agree to different rates. As an example, one unit could have a \$0.25 tax rate while another, if both units agreed, could have a tax rate of \$0.50. There are currently three fire protection territories in the state. This bill would apply only to prospective territories.

The actual fiscal impact of this provision depends on local action.

*Maximum Levies:* Under current law, a participating unit's property tax levy for fire protection services within a fire protection territory is not subject to the unit's maximum permissible levy limit. Under this proposal, the fire protection levy would be subject to a unit's maximum permissible levy limit for any territory established after July 31, 2001. The maximum levy would not apply in the first three years of the levy. It would apply each year, beginning with the fourth year of the levy. The fire protection levy for fire protection territories established before August 1, 2001, would continue to be outside of the maximum levy for all years.

This bill would also increase a participating unit's maximum permissible levy in the first three years of the fire protection levy by the difference between the upcoming year's fire protection levy and the fire protection levy for the past year. Since the fire protection levy would not be subject to the maximum levy for three years, the maximum levy increase would, in essence, allow the participating units to increase their General Fund property tax levies for the three years if they so choose.

*Service Charges:* Under current law, volunteer fire departments may impose and collect service charges for services provided. This bill would allow an agent for the department to collect the service charges. Service fee collections could increase under this proposal if a department uses an agent. Likewise, if the agent provides the collection service for a fee, then local expenses could also increase.

**State Agencies Affected:** State Board of Tax Commissioners.

**Local Agencies Affected:** Local units.

**Information Sources:**